

# Online Shopping Can Be Taxing

**By Reg P. Wydeven  
September 19, 2012**

For years my son has wanted an iPod Touch. Every time we went to a store that sold them, he checked out every model. He has been saving up his money for a long time to buy one. For his birthday, several family members gave money, so he finally had enough to purchase one.

My son went to my dad's house, and the two of them researched all about iPods on the Internet and hunted for the best price. They finally found the perfect model and bought it for the best deal from Amazon.com. He also picked out a cool cover and screen protectors.

After looking at every model in every store and on every website, my son and my dad bought the iPod from Amazon.com because it was the cheapest. Plus, he didn't have to pay sales tax.

Just about a year ago, I wrote about the Enzi-Alexander-Durbin bill, which was surprisingly introduced by Senators Mike Enzi (R-Wyo.), Lamar Alexander (R-Tenn.), and Dick Durbin (D-Ill.). Referred to as the Marketplace Fairness Act, the legislation would allow states to force out-of-state online retailers having "gross annual receipts in total remote sales" exceeding \$500,000, such as Amazon.com, ebay and Overstock.com, to collect sales tax.

The drafters of the bill believe that online retailers are unreasonably depriving the states of revenue by failing to collect sales tax. By failing to do so, they enjoy an unfair competitive advantage over local retailers that must collect taxes in stores and online.

In addition to the states' Departments of Revenue, the bill is backed by big national chain retailers, such as Wal-Mart, Best Buy, and Home Depot. These companies have stores in nearly every state and, therefore, are required to collect sales tax on transactions in their stores and on their websites. They also are upset by customers like my son, who research products in stores and get store employees' expertise on those products, only to buy them online.

Opponents of an internet sales tax often cite the onerous compliance requirements online retailers would have to abide by for the literally thousands of taxing authorities around the globe. To back their position, they cite a Supreme Court case that held that retailers aren't required to collect sales tax from customers who live in states where the retailer doesn't have a physical presence, or "nexus."

The decision, however, left the door open for Congress to legislate such a requirement. While the Marketplace Fairness Act has still not been passed, some states are taking matters into their own hands.

California is the latest such state. By requiring online retailers to charge sales tax, the state believes this could bring in \$80 to \$100 million a year. Experts estimate states lose \$11.5 billion a year in uncollected sales tax.

California Congresswoman Jackie Speier explained the impact of uncollected taxes, saying "When you're losing that sales tax revenue that means it's affecting your roads, it's affecting the resources for local government, it's affecting the resources for education."

According to the National Conference of State Legislatures, California is the eighth state to collect sales tax, in addition to Kansas, Kentucky, New York, North Dakota, Texas, Washington, and Pennsylvania. However, New Jersey, Virginia, Indiana, Nevada, Tennessee and South Carolina are slated to begin collecting sales tax by 2016.

Instead of fighting 'em, Amazon.com joined 'em. After initially opposing California's law, Amazon.com has built two huge distribution centers in the state, creating more than 1,000 full-time jobs.

If Wisconsin starts collecting sales tax from online retailers, I'm not too concerned. My daughter turns 10 in January, so I'm figuring I'll soon be spending lots of time at the mall.

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